



Ohio Legislative Service Commission

Andrew Plagenz

Fiscal Note & Local Impact Statement

Bill: [S.B. 65 of the 129th G.A.](#)

Date: February 25, 2011

Status: As Introduced

Sponsor: Sen. Cates

Local Impact Statement Procedure Required: Yes

Contents: Eliminates the limit on the number of Educational Choice scholarships

State Fiscal Highlights

- State funding for public schools may increase if students receive a scholarship when they would have gone to nonpublic schools without one.

Local Fiscal Highlights

- School districts with eligible schools will have the scholarship amount of \$5,200 deducted from their state aid for each additional resident district student who obtains a scholarship.
- Affected districts may be able to realize a decrease in expenditures since they will no longer be required to provide education services to the additional scholarship students.

Detailed Fiscal Analysis

The Educational Choice Scholarship Pilot Program (Ed Choice) provides scholarships to students attending or assigned to lower performing public schools to pay tuition at chartered nonpublic schools. Under current law, up to 14,000 students may be awarded Ed Choice scholarships in each school year. The bill eliminates the limit of 14,000 scholarships that may be awarded annually and instead allows all eligible students that apply for the program to receive a scholarship.

The amount awarded for each scholarship is the lesser of actual tuition charges of the school or the maximum scholarship award. Under current law, the maximum scholarship award is \$4,250 for kindergarten to grade 8, and \$5,000 for grade 9 to grade 12. To finance the scholarships, the Ohio Department of Education (ODE) deducts \$5,200 from the state aid allocation of each scholarship student's resident school district. Because the scholarship amount is deducted from state aid payments, an increase in the number of scholarship students generally will have no direct fiscal effect on the state. A possible exception to this, however, is if a student would have attended a nonpublic school even without the scholarship. In these instances, state education aid may be higher than otherwise as the number of publically funded students would be higher.

ED Choice scholarship students are counted in their resident districts' average daily memberships for the purposes of calculating the districts' state aid allocations. A deduction of \$5,200 for each scholarship student is then made from the resident districts' state aid allocations in order to fund the scholarships. As a result of the bill, therefore, total deductions will no longer be limited to \$72.8 million (\$5,200 per scholarship x 14,000 scholarships) annually. An additional \$5,200 per scholarship over the 14,000 threshold may be potentially deducted each year. The school districts where the additional scholarship students reside will not have to educate those students, and therefore may be able to decrease their expenditures to at least partially offset their state aid loss.

According to ODE, 14,696 students applied for Ed Choice scholarships for the 2010-2011 school year, the first year that the number of applicants exceeded the 14,000 limit. In FY 2010, a total of \$59.8 million was deducted from the state aid allocations of 39 school districts to fund the ED Choice scholarship program.